GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:32
ANSWERED ON:24.11.2005
DEREGULATION OF PRICING OF PETROLEUM PRODUCTS
Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government is considering to deregulate the pricing of petroleum products;

(b) if so, the details thereof;

(c) the time by which decision is likely to be taken in the matter;

(d) whether the private sector oil companies have urged the Government to remove petroleum products from the purview of Essential Commodities Act; and

(e) if so, the reaction of the Government thereto ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)
(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE STARRED QUESTION NO.32 TO BE REPLIED ON 24TH NOVEMBER 2005 BY SARVASHRI NIKHIL KUMAR AND ADHIR CHOWDHURY, MPs REGARDING DEREGULATION OF PRICING OF PETROLEUM PRODUCTS

(a) to (c): In order to formulate a long-term pricing policy, Government have constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister, to examine different aspects of the pricing and taxation of petroleum products with a view to stabilizing/rationalizing their prices keeping in view the financial position of the oil companies, the investment needed in the sector, the need to conserve petroleum products and to establish a transparent mechanism for the autonomous adjustment of prices by oil companies. Taking into consideration the interests of all stakeholders concerned, the Committee will suggest a comprehensive mechanism for pricing and taxation of sensitive petroleum products and other allied issues. The Committee is to submit its report within six months.

(d): A representation dated the 16th June 2005 was received from a private sector refinery furnishing a set of legal opinions on the question of powers to mandate the production of kerosene under the Essential Commodities Act.

(e): Although refinery capacity in the country is sufficient to meet the domestic demand for PDS kerosene, oil marketing companies (OMCs) distributing PDS Kerosene represented to the Government in February-March 2005 that stand-alone refineries, in both public & private sectors, were not offering the required quantities of kerosene at the appropriate prices for PDS distribution. In consequence, OMCs were being obliged to import kerosene at higher prices even while some stand-alone refineries were exporting jet kerosene/aviation turbine fuel, a product equivalent to Superior Kerosene Oil (SKO). Apprehending that the non-availability of domestically produced SKO at the required prices for the PDS might assume critical proportions, Government began consideration of a proposal to direct refineries to produce a minimum amount of kerosene. The Department of Legal Affairs confirmed the powers of the Union Government to issue such an order under the Essential Commodities Act. Meanwhile, as a result of intensive consultations held during the period April-July 2005 among all concerned, including stand-alone refineries, there was a substantial improvement in the availability of kerosene at the appropriate prices for the Public Distribution System. Accordingly, Government have not found it necessary at this stage to initiate the action earlier proposed under the Essential Commodities Act. The situation is being kept under close review.